

PROPERTY SERVICES H:DOCS:devcap

9 June 2003

To all Community & Foundation Schools, not for general distribution

Dear Head Teacher

Title: Devolved Capital 2003-04, Community & Foundation Schools
Summary: **Spending guidelines *including funding flexibility* in 03-04**
Circular Number: S20495
Previous Papers: Circular S20427, Financial Statement – Capital and Revenue (Premises) Allocations
Action Required: Implementation of scheme and completion of attached proforma
Reply By:
Contact Officer: Area Teams: North: 303 3767/303 8733
South: 303 2492/303 8731
Central: 303 2194/303 8732

The following guidance notes follow the format of previous years Devolved Capital guidance. However, there is one major variation relating to use of this allocation to reduce budget pressures in 2003-04 only. This is detailed in Sections 1.3, 1.4 and Appendix C.

1 Basis of allocation

- 1.1 As part of the DfES's on going Capital Investment strategy, a further capital allocation has been devolved to schools. Notification of this amount was provided in Education Asset Management Circular S20427, dated 31 March 2003 - Financial Statement – Capital and Revenue (Premises) Allocations (Appendix A). The value of the allocation is based on the Annual Schools Census at January 2002 and is made up of a lump sum and an allowance per pupil. Schools operating in completely new buildings will not receive grant for 3 years.
- 1.2 DfES guidance is that '**all capital funding (including Devolved Capital) should be invested in locally agreed priorities as set in the Authority's Asset Management Plan**'. A copy of the complete policy statement as endorsed by the Property Working Group is available on the Education Asset Management (EaM) web site (www.bgfl.org/assetmgt) downloads page and I have included an abridged version as Appendix A to this letter.
- 1.3 **DfES has recently announced that, for this year only, schools may request approval from the LEA to use their formula Devolved Capital to address unacceptable pressures on school budgets.** It is expected that the number of schools making such requests will be few and only where specific approval is given by the LEA can capital funding be used

for revenue items. A guidance page is attached to this letter setting out criteria (Appendix C). If you are considering requesting permission to use your Devolved Capital allocation in this way, please read Appendix C carefully and if you think that you meet the necessary criteria, contact your EaM Area Team Manager. You should not complete Appendix B at this time.

- 1.4 The LEA is keen to assist schools facing such pressures whilst maintaining levels of capital investment. We are keen to hear from schools undertaking major capital projects in 2003-04 using revenue delegated budget or Seed Challenge 'new' money in order to establish ways in which we might 'swap' such revenue funding for capital in order to then make this revenue available for schools in difficulty. If you are a school using revenue expenditure in this way please contact your EaM Area Team Manager to give details of scheme and spend.
- 1.5 Devolved Capital represents a fundamental element of the partnership between schools and the LEA to manage school buildings and for schools to meet their duty of stewardship. This money should therefore be spent on essential and affordable capital projects identified in your Asset Management Plan (AMP). This data can be viewed on the Education Asset Management web site under 'AMP' then 'School Data'. Paper copies of Condition surveys were also shared with schools in January. Although Access Audit information forms part of the Asset Management Plan, we have not yet been able to incorporate this information into our database and schools should therefore rely upon current Access Audit reports issued to them.
- 1.6 Where schools have not fully spent their previous years Devolved Capital allocation, Education Finance will have recently notified you of the balance remaining. As you will recall, this funding is available by annual allocation and **your allocation must be spent within 3 years** (i.e. 2003-04 allocation must be spent by March 2006). It is of particular importance that schools who have not spent their allocation from 2001-02 do so by 31 March 2004.
- 1.7 Schools may also wish to consider the following methods of maximising the value of the Devolved Capital available:
 - **"Clustering funds"**: There is an opportunity for schools to form clusters to pool their capital and undertake a significant scheme at one site (e.g. within a consortium or between schools with particularly strong links).
 - **Accumulating or advancing funds**: You may accumulate your allocation during the 3-year period in order to undertake a larger scheme, rather than spend each year's funds year on year. However, you should not accumulate at the expense of ignoring higher priority works that are affordable that year. If the project is critical, you can request the advancement of funds to year 1. Accumulation or advancement will require our agreement. Advancement will only be possible if sufficient other schools were

prepared to accumulate theirs. We will only consider advancement to finance schemes identified in your AMP as:

- a) Ofsted significant criticism (evidence required), or
- b) Condition D1/ C1, or
- c) Suitability grade A/B, or
- d) Health & Safety or Security High risk.

1.8 **Please advise us of your decision by completing and returning the attached Notification of Scheme form (Appendix B) to us as soon as possible.** The following sections only apply if you intend to undertake a capital scheme this year.

2 Scheme identification

2.1 Schools will need to gain agreement from the LEA for projects to be undertaken. DfES guidance defines eligible capital expenditure as including:

- Health and Safety Works (major roof repairs, rewiring, upgrading fire / security systems, resurfacing play areas)
- Refurbishment – (which could include upgrading boiler plant, or could include cabling to provide ICT equipment);
- Conversions (for example, general teaching area to specialist use);
- Security (improvement to / provision of lighting and fencing, CCTV).
NB: Other standards fund grant may be available specifically for this purpose.

The DfES also indicate examples of **ineligible** premises expenditure as being:

- **Any** expenditure (including works identified above) costing less than the threshold for capital of £5,000.
- General Maintenance
- Redecoration (internal and external) or Day to Day repairs
- Purchase of books, ICT software or training materials / services
- Equipment purchases unless part of a larger new build scheme and does not form a large part of the expenditure
- Repayment of loans
- Funding operating leases unless eligible for specific capital grant
- Hire of temporary accommodation

These definitions of capital expenditure are in line with those applied to schools under Fair Funding. Works you propose to carry out must be identified as a high priority in your Asset Management Plan Condition or Suitability assessments. Expenditure on ineligible items may result in grant having to be repaid.

2.2 We are keen to target highest priority works in partnership with you. If you have high priority (2.1) condition works, priority A (unable to deliver the curriculum) or high risk Health & Safety issues identified but the

project is not affordable (i.e. in excess of your devolved capital sum) we will consider requests from you to finance the shortfall in order that the work may proceed. However, the level of funds available centrally is finite and we cannot guarantee that finance will be available.

- 2.3 It will also be feasible to use devolved capital to put to the cost of a project bid for Seed Challenge Initiative subject to the bid meeting both Devolved Capital and Seed Challenge criteria. It can also be used as your contribution to Dual Funding projects.

3 Scheme approval

- 3.1 If you plan to undertake a scheme this year, please complete the Notification of Scheme form attached (Appendix detailing the project you will undertake. Costs can be based upon your Consultant's estimate - it is not necessary to wait for quotations. **We will advise you of our approval to your proposed scheme by endorsing your form appropriately, returning it to you and arranging for the funding to be made available.**
- 3.2 Where alterations are made to the building you are reminded that you must also obtain any necessary statutory approvals such as compliance with Building Regulations and Planning Permission. You are also reminded of your obligations under Schools Financial Regulations, Health and Safety legislation and of the need in appropriate cases to secure 'Landlord Approval' from the LEA. **We would strongly advise that for anything other than the simplest scheme you should obtain professional advice from a competent consultant (e.g. Chartered Surveyor or Architect. These services are available from the City's Urban Design Department as well as Private Sector consultants which schools may approach). This is especially applicable where work is done to the structure of a building, gas/electric services or where asbestos might be present. Contravention of Health & Safety legislation can result in extensive fines or even imprisonment for the responsible person!**
- 3.3 Schools who wish to discuss their proposals further should contact their EaM Area Team Manager on the phone numbers above.

4 Finance

- 4.1 This Devolved Capital funding is grant eligible and therefore it is important that costs relating to it are recorded accurately to ensure an audit trail is available.
To enable this audit trail a new fifth and sixth digit has been set up and only the subjective code J76 may be used to record all eligible costs as detailed below (use of any other code will misallocate funding and involve school and ourselves in unnecessary reconciliation exercises);
Grant 39 – Devolved Capital -: **EA**6G - J76 – A0**

(** - Insert your unique school digits)

- 4.2 To enable those schools who operate as either a non-cheque book or partial chequebook school to use this code, two documents are available on the BGfL entitled, “**LRM4 - Standards Fund - Devolved Capital – 2002/2003**” and ‘**FMS6 – Standards Fund – Devolved Capital – 2002/2003**’. These guidance notes also apply in 2003-04 and give details of the procedure to follow to set up this code. The documents can be found in **Education Service | Education Service Index | Standards Fund | Downloads**.
(<http://www.bgfl.org/services/fundsf/download.htm>)

In addition could all schools please note the following:

- (i) Schools who notify us of their wish to accumulate this years funding to a future financial year will **not** need to set the fund up in 2003/04.
 - (ii) When forwarding orders for services to internal providers (e.g. Urban Design Department) “**please ensure that the GLAMIS cost centre (as above) is written on the order**”.
 - (iii) If you are not able to spend all or some of this funding please inform your Education Property Services Area Team Manager immediately so that we can make it available to schools wishing to advance funds.
- 4.3 Finally, if your school operates under either the partial or full cheque book scheme then a cheque will be forwarded to you for your 2002/03 allocation only, unless an agreement has been made with Education Property Services for either advancement or accumulation as indicated in (i) above, and those schools operating under the full cheque book scheme will be required to provide details of actual expenditure incurred on Form CBS2.

Queries regarding schemes (sections 1,2, & 3) please contact your Area Team (see top of letter) but if finance related (section 4) please contact Education Finance on either 303 5229 or 2788.

Yours sincerely

Chris Gilbert
Deputy Head of Education Asset Management

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Major Capital Priorities April 2002 – March 2005
APPENDIX A
Devolved Capital potential funding source

<u>Ref.</u>	<u>Element</u>	<u>Plan Link</u>	<u>Item</u>	<u>Funding Source</u>
3	Standards	EDP/SOP/ SEN	Access Initiative	Access/NDS Modernisation/ Devolved Capital
4	Condition/ Standards	EDP	AMP Priority C2.1 roofs C2.1 external walls, windows/doors C2.1 mechanical C2.1 electrical	NDS condition/ Devolved Capital/ Revenue
6	Condition/ Suitability	EDP/ SOP/ Access	Implementation of major 'joined up' schemes at sites with complex needs (following feasibility studies in 2002/3)	NDS modernisation/ Devolved Capital
7	Condition/ Suitability/ Standards	EDP/ SIP/ Access	Implementation of minor 'joined up' schemes	Devolved Capital/ Seed Challenge/ Dual Funding
8	Standards	EDP/ SEN	Major schemes to enhance breadth of curriculum delivery to groups in units/centres	TCF/NDS modernisation/ Devolved Capital



TO: EDUCATION ASSET MANAGEMENT, MARGARET STREET

DEVOLVED CAPITAL 2003-04 – NOTIFICATION OF SCHEME

1) NAME OF SCHOOL _____

2) CONTACT NAME _____

3) PHONE NO. _____ FAX _____

- 4) DECISION ON ALLOCATION:
- a) We will accumulate this years allocation and spend it in future years
 - b) We will spend our single year allocation this year
 - c) We wish to bring forward future years allocation to undertake the following priority scheme

If you have indicated b) or c) above, please complete the remainder of this form. If a), the form need only be signed by the Head Teacher and dated.

5) PROJECT DETAIL (if building alterations are involved please enclose a location and floor plan. If Ofsted, please include details)

6) SCHEME COST (inc. fees and all associated costs) £ _____

7) PLEASE STATE NAME AND PHONE NUMBER OF YOUR CONSULTANT

8) WHERE SCHEME COST EXCEEDS YOUR DEVOLVED CAPITAL ALLOCATION INCLUDING ANY BALANCE FOR 2003/04, HOW WILL THIS GAP BE FINANCED?

9) IF A CONTRIBUTION IS SOUGHT FROM THE LEA (SECTION 2.2 OF LETTER REFERS), PLEASE INDICATE HOW MUCH IS REQUIRED
£ _____

10) WHAT PRIORITY IS GIVEN TO THIS SCHEME IN YOUR CURRENT AMP (for example state Condition C1, Suitability A1, H & S High risk)?

11) PLEASE GIVE YOUR REASONS FOR NOT UNDERTAKING WORKS IDENTIFIED IN YOUR AMP WHICH ARE A HIGHER PRIORITY, SHOULD THIS BE THE CASE:

12) WHAT WILL BE THE PRIME EDUCATIONAL AND/OR HEALTH & SAFETY BENEFITS OF THIS SCHEME?

13) ALL STATUTORY APPROVALS AND COMPLIANCE WITH HEALTH & SAFETY LEGISLATION WILL BE SECURED.

14) THIS WORK IS IDENTIFIED AS OUR MAJOR PRIORITY IN THIS SCHOOL'S ASSET MANAGEMENT PLAN.

15) IF THIS SCHEME IS APPROVED, I WILL ADVISE THE LEA OF ANY ALTERATION TO IT AND OF ANY DELAY COMPLETING IT IN 2003/04.

SIGNED _____
HEAD TEACHER

DATE _____

IN THE EVENT OF ANY QUERY RELATING TO THIS APPROVAL,
PLEASE CONTACT YOUR AREA TEAM: North: 303 3767/303 8733
South: 303 2492/303 8731 Central: 303 2194/303 8732

APPENDIX C

Guidance to Schools on the use of capital flexibility on 2003-04 allocations of Devolved Formula capital.

1. The flexibility to use devolved formula capital for revenue spend is for **2003-04 allocations and spend only**. This is a unique flexibility to address exceptional pressures on school budgets.
2. Schools that seek to use this flexibility should be aware that they are irrevocably foregoing their capital allocation. The LEA will not be able to compensate for this loss either directly by providing additional capital or indirectly by undertaking school nominated works. Schools using capital for revenue issues are, therefore, losing the benefits over the longer term of the capital investment in their school buildings to pupil standards. This flexibility has an opportunity cost, and should **only be used where failure to do so would lead to excessive instability within the school**.
3. Schools may use all or part of their 2003-04 allocations (i.e. excluding any balance carried forward) of devolved formula capital to meet revenue costs where the following DfES criteria are satisfied:
 - they have a 2003-04 revenue budget deficit which threatens unacceptable disruption to the delivery of education;
 - they do not have revenue balances brought forward which can be used;
 - the funding is not already being used for a building investment project;
 - the implications for future years' budgets have been carefully considered, including sustainability;
 - they have the express agreement of their local education authority.
4. Flexibility will only be used to maintain funding for the core functions of the school and, once agreed, the sum will not subsequently be increased, although it may be reduced where the school finds it can make savings.
5. Where a school has accumulated devolved formula capital from previous years' allocations for a building project not yet started, it may instead use this earlier funding for revenue spend, but only to the maximum of its 2003-04 allocation. This should ensure that by delaying investment projects, schools do not lose earlier capital allocations beyond the rollover period.
6. Should we agree with your request, we are required by DfES to provide information on your use of devolved formula capital as revenue funding, which will include the amount spent by you on maintenance, repair and minor works from revenue budgets. DfES are to provide further details of the information required in due course.

Use of capital flexibility on 2003-04 allocations of Devolved Formula capital – additional guidance for Voluntary Aided (VA) schools

1. In addition to the guidance above, additional information for the VA sector is:

- you must bear in mind any commitments already given on the use of devolved formula capital towards capital projects;
- the LEA will notify the DfES VA Capital Team what has been agreed, and how much is required (see paragraph 7);
- DfES will arrange for the money to be paid, through the LEA, as a revenue grant to be passed on to the relevant VA school.

2. Devolved formula capital for VA schools is increased to allow for the effects of VAT. The Department's VASIS computer system shows the resulting amount in 100% terms (before deduction of the governing body's 10% contribution). The following adjustments to normal entitlement will therefore be necessary:

- the VAT increase will be removed (VAT can be recovered on funds paid through LEAs);
- the amount paid to LEAs will not have a 10% reduction applied;
- the amount paid to schools through LEAs through this way will be deducted from the school's entitlement shown on VASIS.